

# PROJECT HAMMER

## Covert Finance and the Parallel Economy

*The off-ledger trading programs operated by some central and international banks launder massive amounts of money and provide vast sums to fund covert 'black budget' projects.*

*Part 1 of 2*

by David G. Guyatt © 2001

c/- NEXUS Office  
55 Queens Road  
East Grinstead, W. Sussex RH19 1BG  
United Kingdom  
Email: goldbug@goldbug99.  
freeserve.co.uk  
Website: www.deepblacklies.co.uk

**P**roject Hammer is all about money. Stupendous great gobs of money. So much money, in fact, that it will challenge whatever reality you thought you had about the over-world of banking, finance and economics. It is also about the nether world of international banking and finance, a world that is said not to exist in reality. But exist it does.

More often than not, this never-never-land of international banking is concealed from public view by the judicious use of two sets of books. It is also eclipsed from interested investigators by a never-ending series of real frauds that result in arrest and imprisonment of numerous scam artists. This creates the clever illusion that the only thing going on are artful scams designed to fleece the unwary.

Such swindles fall under the general category of High Yield Investment Programs, Front End Fee frauds and Prime Bank Note schemes. Numerous law enforcement cases such as these, when twinned with dire "beware" warnings published on FBI, US Treasury and other websites, easily lead one to conclude that there are no such things as "real" trading programs. And the powers that be don't at all object to this conclusion being reached. It is the old case of hiding trees in a forest.

A key point to keep to the fore in what follows is that trading programs operate "off ledger". That is to say, the banks and central banks that operate them run two sets of books: one set for public scrutiny, and another set for private viewing only. Another fact to bear in mind is that authorised programs generate quite spectacular profits for very little—in fact, minuscule—risk, and those who are invited to participate as funders accumulate capital at a shockingly rapid rate. One reason, perhaps, why the wealthy get altogether wealthier as the poor sink ever lower into the mire of poverty.

The financial, banking and economic shadow-world in which Project Hammer lived, breathed and manufactured money "out of thin air" is the dirty little secret of the Western economy. It is a form of money creation that is effectively unchallenged by any form of oversight or accountability as we understand it. Hammer and numerous other transactions like it are based on what are known as Collateral Trading Programs, although many other descriptive names and terms are also used.<sup>1</sup>

The reason for such programs is to create vast pools of ready money that are earmarked for use in sanctioned (authorised) operations and projects. On the plus side, many beneficial projects throughout the world get funded as a result of program trading. On the negative side, there are more shadowy projects. Included in the latter category are certain black operations.

The amalgamated pool of funds created and now held in dormant and orphaned bank accounts runs to trillions of dollars, according to insiders. At the low end of estimates, there is believed to be enough to pay off the US national debt plus some change. At the higher end, estimates range up to hundreds of trillions of dollars. I have been repeatedly told, almost matter-of-factly, that the higher estimates are closer to the truth. I simply don't know how big the sums amount to, but I can document US\$12 trillion. This sum is revealed in the late Baron Krupp papers that form part of the exhibits of the companion volume to dossier *The Secret Gold Treaty* (<http://www.deepblacklies.co.uk>).

Many different sources say that programs are also used to launder money by spinning it through a program cycle until it is pristine clean. Drugs, guns and the usual array of dirty money transactions are said to feature.

Since US dollars are the cornerstone of all program activity, Uncle Sam naturally gets a bite of the action. A percentage of the proceeds is collected via private tax treaties

negotiated with offshore entities. These treaties also help to shield the reality of these programs from public awareness. There are unsubstantiated rumours that some of the tax take occasionally gets "diverted" for altogether private purposes. It is an allegation that is impossible to stand up, however.

London and Zurich are key centres for program activity, although transactions are usually booked through offshore entities. London and Zurich are also gold centres, and more than one credible source confirms that "black" gold forms an important part of program trading activity. There are also good reasons to suppose that part of Uncle Sam's share of trading profits is credited to the Exchange Stabilisation Fund. Here it is pooled with other funds and used to shore-up the American economy by—amongst other manoeuvres—manipulating the gold price to keep it below a predetermined price.

Trading programs are the preserve of many governments, their treasury departments and the top international banks which by their very nature have the necessary mechanisms in place to enable trading to take place efficiently and secretly. Banks from G7 nations dominate.

It follows, therefore, that a number of problems occur as a consequence of the multijurisdictional nature of supervision; and although safeguards are in place to ensure that "clean" money is fed into the system, this doesn't always happen. Funds of suspect origin do enter the system and are made pristine clean by this form of paper alchemy.

Large sums of black gold, cash or other forms of convertible assets are used as "collateral" to initiate trading programs. There are also certain classes of government-issued treasury notes and bonds that are privately lodged with major Western banks. These "treasuries" are never meant to see the light of day, but are in turn used by major banks to back the issuance of their own bank debentures "off ledger" in substantially leveraged amounts that can run into tens of trillions of dollars—or their foreign currency equivalents.

In turn, this bank "paper" is traded in pre-arranged "buy/sell" transactions at steep discounts (cents on the dollar) off the face value of the issued bank debentures. The trading of the paper between banks—using proxies—is arranged and coordinated so that the traded obligations effectively "wash out" or are otherwise cancelled, although other scenarios exist where issued paper is purchased at a fair market value and held to maturity. In the past, trading was paper-based, but today everything is electronic "screen-based" and consequently the credits traded have a life of milliseconds.

The difference between the buy-and-sell price—usually known as the "spread" (in the case of Hammer, this was said to be many percentage points)—generates a "fallout", a term that implies profit. In other transactions, most notably "Jacobe", the spread was represented to be at least 10% on a planned face value issuance of US\$27.5 trillion, according to documents I have seen. This would have created a fallout of US\$2.75 trillion. However, for reasons yet unknown to this writer, it seems that the Jacobe program, privately hailed as the largest program "ever put together", was—for reasons that are still inexplicable—only two-thirds completed.

Less grand, but just as interesting in other respects, was the fallout from Project Hammer, which is said to have totalled over US\$220 billion. In fact, the precise sum is US\$223,104,000,008.03.<sup>2</sup>

## THE NUGAN HAND BANK CONNECTION

One of the central characters associated with Project Hammer was Brigadier General Erle Cocks. Back in 1966, Cocks, along with his sleeping partner General Eugene Phillips, established the Washington-based consultancy firm Cocks & Phillips International. This was at the height of the Vietnam War, and just a few months after Cold Warrior Paul H. Nitze issued the directive authorising the establishment of the US Navy's clandestine intelligence collection program more commonly known as "Task Force 157".

TF 157 would later feature in the Nugan Hand Bank affair exposed by *Wall Street Journal* investigative reporter Jonathan Kwitny in his book *The Crimes of Patriots*. Task Force 157 came to an end on the instruction of Admiral Bobby Ray Inman, once he discovered the full involvement of "rogue" CIA agent Edwin Wilson in the Task Force.

Wilson was responsible for so much intrigue and illegality that one could shake a stick at it. He was eventually arrested, tried and imprisoned—where he remains to this day, fighting for release. Many now believe that he was working on orders from above but in a deniable role and was cynically sacrificed to save other more prominent players.

During his investigation, Jonathan Kwitny learned that General Erle Cocks ran Nugan Hand Bank's Washington office. Cocks's partner General Phillips denied this, saying they had merely rented office space to

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Nugan Hand Inc.'s Hawaii President, General Edward Black—a former OSS, CIA and senior military officer. This proved to be untrue, however. Kwitny learned that papers filed with the US Treasury listed General Cocks as the "person in charge" of Nugan Hand's Washington office. Cocks claimed that someone else must have filed these papers without his knowledge or consent.

In April 2000, Cocks gave a deposition running to 67 pages concerning his knowledge and involvement in Project Hammer. Ten days later he died from pancreatic cancer. His explosive deposition reveals him as a very significant and highly connected player in a world few of us are familiar with.

Cocks fought in three wars: World War II, Korea and Vietnam. During WWII he was an artillery officer and a division staff officer and was a POW under the Germans. He worked for General MacArthur during the Korean War and for General Westmoreland in the Vietnam War. Highly decorated for his service, he was awarded a Silver Star, a Bronze Star and cluster, a Purple Heart with three clusters, a Croix de Guerre plus the Légion d'honneur from France, and a Medal of Honour from The Philippines. He was the youngest National Commander of the American Legion and, prior to his death, became the oldest National Commander. In addition he was distinguished by the Red Cross with the medal Cruz Roja, and he was made an Honourable Comrade of the Nationalist Chinese Air Force.

Cocks was a Shriner Mason of many years' standing (he held a semi-official voluntary position for that organisation) and a Grand

Commander of the Knights of Malta—the secretive Vatican order that boasts numerous members who serve, or are closely affiliated with, Western intelligence and military services. Intriguingly, he claimed to have been the first Protestant "in 1200 years to be so honoured".

In 1959 and again in 1960 he was a member of the US delegation to the General Assembly of the United Nations, holding the rank (and pay grade) of Ambassador. After that, he was the first fulltime US Alternate Executive Director of the World Bank, a position he held for four years from 1961–64. Pressed about this in more detail by his questioner, a Washington attorney, Cocke responded by saying:

"At that time I owned 28 percent of the stock and, of course, I had all kinds of people in the Treasury tell me what to do. Don't get me wrong, I made all the decisions. But I was the executor, I was the delivery."

He also confirmed that he had worked for every US President:

"...from Truman to date. At some stage of the game I worked for all of them. I have to admit that some of them were very minor chores and others were important."

In addition to his many abilities and accomplishments listed above, Erle Cocke was above all other things a banker—a profession that ran in the family. His great-grandfather put a bank "together in 1867", which was then the only bank in Georgia. His grandfather founded a bank in about 1890, and his father was President of Fulton National Bank (which became Bank of America) and was at one time the President of the American Bankers Association and Chairman of the Federal Deposit Insurance Corporation (FDIC).

Asked about his own knowledge of banking, Cocke said he had taken all the normal banking courses, and added:

"I understand banking. I can teach banking—you understand what I am saying—at the college level."

This banking expertise was at the core of his firm, Cocke & Phillips International, which began life as a:

"...normal American firm, lobbying firm, here in Washington, and we grew into banking particularly. The

UN contacts and the World Bank contacts—sometimes they help those people for 10 years."

In a similar vein, he undertook all sorts of "chores" for some of the government intelligence agencies. He explained this as follows:

"One thing is if they trusted you, they practically came in and said, 'What do I do?' I mean, you didn't argue with them. You sort of proceeded with the program and gave them a few choices, of course. But [they] practically always followed what we did. I was administrator, arbitrator. I was [the] moderator, bringing people together."

Asked if that experience "would be true in the financial and banking world in particular", Cocke replied:

"Oh, yes. I have been able to close things that other people can't close."

As we shall see, Cocke's ability to "close" things other people could not close did not extend to Project Hammer—a financial operation that, according to Cocke, deeply involved Citibank and its Chairman, John Reed. Cocke said he could get to see any President without any trouble, but complained that he could not get to meet John Reed.

## COLLATERAL DAMAGE

Having briefly examined General Cocke's background, let's now return to that stupendous sum of "black" money mentioned earlier. For purposes of clarity, this amount was referenced in Erle Cocke's deposition. If, as we have said, this amount was stealthily "magicked" into being as a result of an exotic form of financial smoke and mirrors, the question is: where did it go?

According to Cocke, this sum was lodged in "30-some odd accounts together". Asked where these accounts were located, Cocke responded by saying, "In almost one solid block at Citibank".

General Cocke's questioner then asked: "Would they have been in control of Mr Reed?"—meaning former Citibank CEO and Chairman John Reed.

Cocke responded as follows, in this exchange with the attorney:

A. Probably not all because there were so many different participants involved, and in different locations, countries, that I would say no, he did not have complete control, but everybody recognized it wouldn't be settled until it got to him.

Q. And these were, you say, accounts for various people around the world?

A. Yes.

Q. Produced as a result of what?

A. Well, most of them figured that greed in particular was mighty high. And, if they put up this amount of money, then I am going to get this kind of money coming back. That's the way practically all of it was. I hate to use the word "sole", but "present" might be a better word.

Q. Were these accounts for the benefit of people who had engaged in some kind of trading program?

A. They were all to get in the trading program. I haven't found anybody

that didn't go in wanting to increase their income and their greed in the highest bracket if they could possibly put up money.

Q. What I am understanding from you is that whatever these individuals, corporate entities, or even government...they believed, apparently by putting these funds with Citibank as part of this effort, they would then receive later down the road a pay-off?

A. That is correct.

Q. As a result of Citibank's management of these funds, is that fair to say?

A. Yes, basically the whole trading bloc in a nutshell.

During the course of his deposition, General Cocke was asked if he knew who "created" Hammer "to begin with". He admitted that he didn't know and was even reluctant to make a guess, but

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added that whoever set it in motion "had to have been somebody at a pretty high level". He then made the interesting observation that whoever it was who had authorised it, "the original structure" had "obviously got way out of proportion as time went by". The implication was that some of the money—the fallout—got diverted from its original intention.

More than a few of those involved in Project Hammer at various levels have told me that they believe some of the pool of money created by the Hammer project was "diverted" and used to rescue many of the world's major banks, which by the very end of the 1980s faced insolvency following reckless lending policies throughout the late 1970s and early/middle 1980s. It is certainly true that at that time many major banks like Citibank, HSBC, Chase, BoNY and others stood teetering on the very brink of disaster.

Another view is one that has been expressed by Daniel Hughes, of Hughes Oil Company, a Florida-based corporation. Hughes had been heavily involved in finding collateral to place in a number of trading programs over several years. This cost him tens of thousands of dollars, since most of these were illegitimate rather than genuine. It is a fate that waits for untold thousands of unsuspecting investors who step into this shadowy realm unprepared.

Even so, it seems that Hughes did play a part in attempting to place collateral in Project Hammer. He believes that the funds diverted from Project Hammer ended up in a CIA-controlled Swiss bank account in the name of the late Howard Hughes. On the basis of years of investigation, Daniel Hughes believes that Project Hammer involved the trading of US\$13.6 trillion in debentures, resulting in a "fallout" of about US\$1.1 trillion which was stashed in the Howard Hughes account in Credit Suisse. Whilst there is no hard corroboration in support of this claim, it remains an intriguing possibility. More so, for in his deposition General Cocke indicated that black money generated by trading programs might be hidden in dormant accounts, and a Howard Hughes account set up 30 years ago would clearly fall into that category.

According to Erle Cocke plus others I have spoken with, Project Hammer began life as an authorised but secretive trading program aimed at repatriating dollar assets that dated back several decades. Cocke confirms this when he was asked what the overall objectives of Project Hammer were:

"Well, it was mainly to bring monies back to the United States from all types of activities, both legitimately and illegitimately. Not that they were in the smuggling business *per se*, but they were all in the arms business; they were all retracing dollars of one description or another that had accumulated all through the '40s and '50s really. And that probably is as broad a definition as I can give you. And all kinds of nationalities were involved, all kinds of people were involved..."

Cocke was then asked who would have been behind the Hammer project. Would it, the questioner asked, have involved "various agencies of the US Government"?

"Yes. Obviously the CIA, the FBI, the national security agencies of all types, Pentagon in the broadest sense of it and as such, and the Treasury, Federal Reserve. Nobody got out of the act, everybody wanted to get in the act."

But there were numerous other entities involved in Project Hammer. None more so than the world's big bank, as is made clear by the following exchange:

Q. What other banks and financial institutions were involved in it?

A. Well, if they were, they were still as a correspondent to Citibank...

"Correspondent", in the sense General Cocke's uses this term, means one bank's account maintained at another bank. This is used to handle money transfers between both banks, and it very often denotes a "special relationship" between the banks concerned. The questioner then asked:

Q. Do you know which of those would be involved? Was Chase Manhattan one?

A. I am sure that every big bank in every major country at some stage of the game had some of this pass by them. They had a chance to refuse, or they had a chance to take it up.

### CITIBANK, "THE CHEESE"

Cocke was then asked who the "dominant participant" was in "terms of running this project, this vast project". The General is in no doubt about his reply when he says that, based on his own investigation, it was "Citibank of New York, in both their Athens, Greece, office and in their New York City office". He also acknowledged that Hammer was part of "an ongoing long-term kind of project".

Cocke went on to reveal that Citibank were "...going to be the trustees. They were going to be running the program. They were going to be the disbursing agency. They were the cheese."

Asked to identify which principal officer in Citibank handled Project Hammer, Cocke responded that "from all records, communications and contacts, John Reed was Vice President, but he was the lone coordinator, for a

better word".

Reed, who was Citibank's President and Chairman during this period, has formally denied his involvement in Project Hammer. In a deposition sworn in December 2000, Reed stated that he had "no recognition or knowledge of anything purportedly known as Project Hammer". Nor did he have "any recognition or knowledge" of any person named Erle Cocke. His deposition goes on to list a number of other items, people and allegations that he also had "no recognition or knowledge" about.

For their part, Citibank, in a letter dated December 12, 2000, state that they "never issued commercial instruments on the basis of its possession of quantities of gold made available to it by agencies of the US Government and the Federal Reserve in order to ensure the solvency of Citibank in the '80s and other bullion banks".

This denial, although emphatic, is interesting. Research shows that gold recovered by the forerunner to the CIA—the Office of Strategic Services (OSS)—was deposited in Citibank (and many other banks, too), not in the name of the OSS or CIA but in the name of one of their operatives, Severino Garcia Santa Romana.

On his death in 1974, some—but not all—of Romana's "assets" appear to have been illegally acquired by former Philippines

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President Ferdinand Marcos, who was at one time Santa Romana's attorney. According to Santa Romana's widow, her husband gave Marcos a limited Power of Attorney for use solely in the Philippines, since he travelled abroad regularly. It seems that Marcos somehow made use of this to gain control over Santa Romana's gold and other assets.

It also appears likely, based on documents in this writer's possession, that considerable quantities of gold once held by Santa Romana were later placed under the control of former CIA covert operator Major-General Edward Lansdale. However, these assets were lodged with the Union Bank of Switzerland. Again, it is worthy of note that they were placed in Ed Lansdale's name, not in the name of a US Government agency. These assets are very clearly off the books.

Large quantities of gold held by Citibank remained in the account names of Severino Garcia Sta. Romana and José Antonio Diaz de la Paz (the latter being a well-known alias for Santa Romana) under reference codes "Fenster King Fisher" and "Burgst

Harbor King" respectively.<sup>3</sup> These have been the subject of a legal wrangle between Santa Romana's heirs and Citibank's John Reed.

The fact that the gold held by Citibank and others may not have been in the name of the Central Intelligence Agency or the Federal Reserve—but, rather, was in Santa Romana's name—may have been all Citibank needed to wriggle out of a poorly crafted question.

Continued next issue...

### Endnotes

1. Other terms that have been used are: Credit Enhancement Business; and Capital Accumulation & Structured Debt Programs.
2. Others involved believe this sum represents a part of the fallout from the Jacobo transaction, and not Hammer.
3. This information is drawn from a letter dated December 20, 1995, from C. E. (Jim) Brown (the second husband of Santa Romana's widow, Luz), addressed to the US Justice Department. Sta. Romana also used J. Antonio Diaz as another alias. In fact, he used many different names and entities to conduct his business.

### About the Author:

Following a 28-year career in investment banking (member, AIBD) based in the City of London, David Guyatt's last position was

Associate Director and Treasurer of the forfeiting (an arcane banking term meaning "to discount without recourse") division of a major international bank. David is married with three children and now pursues a career in journalism, writing for a variety of media and researching and producing factual material on a wide range of associated subjects. This is his ninth article for NEXUS, the most recent ones published in 8/01 and 7/05.

In addition to his feature writing, David has prepared background papers on Anti-Personnel Electromagnetic Weapons for the International Committee of the Red Cross (ICRC), was a contributing member of ICRC's SirUS Project that sought to define criteria for judging "abhorrent weapons", and has written for the World Development Movement on his "insider's knowledge" of international weapons financing. He has been a consultant on Swiss and UK TV documentaries exposing the threat of non-lethal weapons and Britain's weapons trail to Indonesia. He is presently assisting the US-based law firm Easton & Levy in its lawsuit against the Vatican for the restitution of the Nazi Croatian Treasury which was illicitly transferred to the Vatican and elsewhere at the end of World War II.

David has recently completed an in-depth investigation into the black market of gold and has published it as an electronic book, *The Secret Gold Treaty*, available through his home page [www.deepblacklies.co.uk](http://www.deepblacklies.co.uk).